

## Message Text

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ORIGIN AF-18

INFO OCT-01 ISO-00 EB-11 COME-00 EUR-25 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 INT-08

SCEM-02 SCI-06 AID-20 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 /232 R

DRAFTED BY AF/W:ARMCKEE:LB

APPROVED BY AF/W - MR. SHERWOOD

EB/ORF/FSE:WBWHITMAN

COMMERCE:RRYDLUN

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R 282247Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

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E.O. 11652: N/A

TAGS: ENRG, NI

SUBJECT: NIGERIA CONTEMPLATING REFINERY IN U.S. VIRGIN ISLANDS

REF: LAGOS 9111

SUMMARY: VIRGIN ISLANDS REFINERY CORPORATION (VIRCO) IS INDEPENDENT NEW ENTITY ORGANIZED FOR PURPOSE OF CONSTRUCTING 200,000 BPD REFINERY AT ST. CROIX, FOR WHICH VIRCO HOLDS AUTHORIZING LEGISLATION FROM VIRGIN ISLANDS GOVERNMENT. SINCE MAY CHIEF EXECUTIVE HADARY HAS BEEN SEEKING NIGERIAN NATIONAL OIL CORPORATION (NNOC) COMMITMENT FOR TWENTY-YEAR CONTRACT TO SUPPLY AT LEAST HALF REFINERY'S CAPACITY. HADARY SAYS HE STILL UNABLE PREDICT NNOC RESPONSE, BUT VISITING LAGOS AGAIN-PROBABLY THIS WEEK-FOR FURTHER DISCUSSIONS. END SUMMARY.

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1. VIRCO IS AN INDEPENDENT ENTITY RECENTLY ORGANIZED UNDER LAWS OF VIRGIN ISLANDS HOLDING AUTHORIZATION FROM VIRGIN ISLANDS GOVERNMENT UNDER AN ACT OF JANUARY 10, 1973, TO ENGINEER, CONSTRUCT AND MAINTAIN AN OIL REFINERY ON A 700-ACRE TRACT IN VIRGIN ISLANDS. ACT COVERS TAX EXEMPTIONS, SUBSIDIES AND OTHER BENEFITS FOR VIRCO, WHICH IS OBLIGED COMMENCE CONSTRUCTION NO LATER THAN JUNE 30, 1974 AND TO EXPEND NOT LESS THAN 100 MILLION DOLLARS IN CONSTRUCTION COSTS. VIRCO CHAIRMAN IS MICHAEL C. KLUGE OF NEW YORK AND PRESIDENT AND CHIEF EXECUTIVE IS GIDEON HADARY OF CHEVY CHASE, MD., WHOM FEB. 1 "FORBES" ARTICLE CALLED "INTERCONTINENTAL DEALSTER." VIRCO LISTS FOSTER-WHEELER, LIVINGSTON, N.J., AS CONSULTING ENGINEERS; DOMINICK AND DOMINICK, NEW YORK, AS FINANCIAL ADVISORS; MANUFACTURERS HANOVER TRUST AS BANK; AND SNAM PROGETTI, MILAN, AND RAYMOND INTERNATIONAL, HOUSTON, AS CONTRACTORS. HADARY INDICATES ESTIMATED FINANCING OF INVESTMENT OF "OVER 200 MILLION DOLLARS ARRANGED THROUGH" DOMINICK AND DOMINICK. "FORBES" ARTICLE REPORTED REFINERY DESIGNED TO PRODUCE LOW-SULPHUR RESIDUAL FUEL OIL FOR EAST COAST UTILITIES AND NAPHTHA FOR CONVERSION INTO SYNTHETIC NATURAL GAS.

2. HADARY FIRST WROTE PERMSEC ASIODU MAY 22, 1973, TO INDICATE INTEREST IN PURCHASING ON LONG-TERM (20-YEAR) BASIS UP TO 100,000 BPD OF NIGERIAN CRUDE, STARTING IN FALL OF 1975, WHEN REFINERY SCHEDULED TO BE ON STREAM. AT THAT TIME HADARY INDICATED PROJECTED TOTAL REFINERY CAPACITY WOULD BE 200,000 BPD, WITH POSSIBILITY FOR ADDITIONAL EXPANSION. IN INITIAL APPROACH, HADARY ADVISED ASIODU THAT "ULIMATELY" U.S. CONSUMER, RAW MATERIAL SUPPLIER, OIL PRODUCING COUNTRY, AND "VIRGIN ISLANDERS" MIGHT ALL "SHARE WITH US IN THIS VENTURE."

3. UPON RECEIPT REFTTEL, DESKOFF CONTACTED KLUGE AND HADARY TO DETERMINE STATUS THEIR PROPOSAL TO NIGERIA. HADARY INDICATES INITIAL MAY 1 PROPOSAL TO ASIODU "TURNED DOWN FLAT," BUT SUBSEQUENT APPROACH ELICITED SHOW OF INTEREST. HADARY SAYS VIRCO REPRESENTATIVES MET WITH NNOC OFFICIALS OCTOBER 2, LATER PROVIDED "SUB-LIMITED OFFICIAL USE

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STANTIAL ADDED INPUTS," AND ARE NOW AWAITING NNOC REACTION. HADARY SAID HE HAD NO IDEA WHAT RESPONSE WOULD BE, BUT TOOK SOME ENCOURAGEMENT FROM BELIEF THAT VIRCO PROJECT WAS ONLY US-ORIGINATED PROPOSAL BEING CONSIDERED BY NNOC WHICH EXTENDED FROM PORT OF EMBARKATION TO CASH REGISTER OF RETAIL OUTLE.

4. HADARY DISCLOSED FEW ADDITIONAL DETAILS OF VIRCO

PLANS OR NNOC NEGOTIATIONS, AND DID NOT EXPAND ON NATURE OF POSSIBLE PARTICIPATION IN VENTURE WHICH VIRCO PREPARED OFFER NNOC IN RETURN FOR CRUDE SUPPLY COMMITMENT. HE SAID VIRCO HAD DISCUSSED WITH NNOC POSSIBILITY OF "MAKING AVAILABLE TRANSSHIPMENT FACILITIES" FOR 200,000 BPD IN ADDITION TO PURCHASING CRUDE TO SUPPLY 200,000 BPD REFINERY, AND HAD OFFERED TO "HELP SET UP" NNOC NIGERIAN FLAG TANKER FLEET. HADARY SAID THAT UNIDENTIFIED MAJOR OIL COMPANY HAS AGREED PROVIDE OPERATING KNOW-HOW FOR REFINERY AND U.S. INDEPENDENT RETAILER PREPARED MARKET PRODUCT.

5. HADARY INDICATED EXPECTATION VISIT LAGOS AGAIN AT END NOVEMBER TO CONTINUE DISCUSSIONS WITH NNOC. HOWEVER, FOR UNEXPLAINED REASONS, HE SAID VIRCO DID NOT WISH TO DIVULGE PROPOSAL TO EMBASSY LAGOS AND EXPRESSED PREFERENCE THAT DEPARTMENT NOT PASS INFORMATION ON THIS MATTER TO EMBASSY. DEPARTMENT WOULD THUS APPRECIATE EMBASSY HOLDING INFORMATION CLOSELY. HADARY DID PROMISE TO ADVISE DEPARTMENT OF ANY DEVELOPMENTS UPON RETURN, AND DEPARTMENT WILL PASS ANY SIGNIFICANT NEWS TO EMBASSY.

6. DEPARTMENT HAS HAD NO INDICATION THAT TRIP BY MARINHO AND OTHER NNOC OFFICIALS INVOLVED VIRCO IN ANY WAY (CF. STATE 233136). MARINHO VISIT WAS CALLED TO ATTENTION OF HADARY, WHO INDICATED HE PREFERRED TO LIMIT HIS DISCUSSIONS TO ASIODU AND MARKETING MANAGER UWAMU, WITH WHOM HE MET IN LAGOS.

7. DEPARTMENT POUCHING TO EMBASSY COPY OF VIRGIN ISLANDS LEGISLATION, "FORBES" ARTICLE AND OTHER MATERIALS ON VIRCO. KISSINGER  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, FUEL OIL, PROCUREMENT, REFINERIES, PETROLEUM TRANSPORTATION, PETROLEUM REFINING, JOINT VENTURES, GASES, TRADE VISITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** worrelsw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** LAGOS 9111  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** worrelsw  
**Review Comment:** n/a  
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**Subject:** NIGERIA CONTEMPLATING REFINERY IN U.S. VIRGIN ISLANDS  
**TAGS:** ENRG, NI, NNOC, VIRCO, VIRGIN ISLANDS REFINERY CORP  
**To:** LAGOS  
**Type:** TE  
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